Funding of Fertilizer Companies by IDBI

1212. SHRI SANJAY DALMIA: Will the Minister of FINANCE be pleased to state:

(a) the names of fertilizer companies, which were funded by IDBI for the last three years;

(b) the total funds disbursed so far, company-wise; and

(c) whether any of these companies so funded, belong to any large business group, who is a defaulter, as per RBI guidelines?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (c) The details of financial assistance sanctioned and disbursed by the Industrial Development Bank of India (IDBI) under its direct finance schemes to fertilizer companies (including companies in the large houses as defined in terms of the outstanding loan and investment and other assistance of IDBI) during the last three years are as under:

(Rs. crore)

	No. of Units	Amount sanctioned	Amount disbursed
1993-94	7	503.8	289.0
1994-95	7	267.1	132.7
1995-96	11	1831.8	494.6

Out of the above, 5 companies belonged to large houses during 1993-94, 6 companies during 1994-95 and 6 companies during 1995-96. IDBI has reported that none of these companies are in default to it.

However, in accordance with the practices and usages customary amongst banks and in conformity with provisions of statuts governing public sector banks and financial institutions as also the provisions of Public Financial Institutions (Obligation as to Fidelity and Secrecy) Act, 1983, the company-wise details cannot be divulged.

Enquiry by RBI into Stock-Invest Scams in Private Sector Banks

1213. SHRI O.P. KOHLI: Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India, had been enquiring into stock-invest scams in the private sector banks;

(b) if so, whether the enquiry has been completed and if so, the findings thereof and the banks where stock-invest scams have taken place giving the modus operandi adopted therein and the role of the bank authorities in those scams;

(c) what action Government propose to take against those banks including cancelling their licences to run the banks to bring banking discipline and accountability; and

(d) what action is required to be taken against the bank authorities when laid down banking norms are not followed by them?

THE FINANCE MINISTER (SHRI P. CHIDAMBARAM): (a) Yes, Sir.

(b) to (d) Bank-wise details of the irregularities committed and action taken thereon as reported by the Reserve Bank of India are given in the Statement.

Statement

	Name of bank		Type of irregularity	Action taken against the bank
(i)	Bank of Rajasthan Ltd.	(i)	Issue of stock-invests to individuals to subscribe to the public issue of companies in which they/their relatives were directors/promoters.	A penalty of Rs. 5 lakh has been imposed on the bank. The bank has also been prohibited from issuing stock invests from its Chowringhee (Calcutta) branch for a period of six months from the date of receipt of the order.
		(ii)	Issue of stock-invest to stock brokers of the Calcutta Stock Exchange.	
(ii)	Indus Ind Bank Ltd.	(i)	Transfer of funds from the overdraft/cash credit accounts of companies to individual accounts of the directors/ partners of the company/firm for enabling them to avail of stockinvest.	A penalty of Rs. 5 lakh has been imposed on the bank. The Mumbai branch of the bank has also been prohibited from issuing stock invests for a period of 6 months from the date of receipt of the order.
		(ii)	Extending of credit facility to an investment, company against pledge of shares of a group company [in violation of guidelines contained in circular DBOD. No. SIC. BC. 114/C. 739 (A-1) 86 dated 24.10.86] and coninuation of the above facility in violation of our guidelines prohibiting banks from granting bridge loan to all companies, including investment companies.	
		(iii)	Extending of credit facility to a company against the security of Certificate of Deposits.	
(iii)	Vysya Bank Ltd.	(i)	Funds released for packing credit were diverted for purchase of SIs.	It has been decided to impose a penalty of Rs. 5 lakh and to prohibit the following branches of the bank from issuing stock-invests for a period of 6 months—
		(ii)	Transfer of funds from accounts of companies to individual accounts for issue of SIs.	(a) Ellisbridge (Ahmedabad)
		(iii)	Issue of SIs in bulk to an individual who applied in primary market on behalf of others.	b) Ashram Road (Ahmedabad)
		(iv)	Non-verification of the address of 781 individuals whose names were subsequently added as joint-holders by an individuals, one Shri M. Shankar who availed SIs in bulk.	c) Overseas (Mumbai) d) Khar West (Mumbai) e) K.K. Tagore Street (Calcutta)

	Name of bank		Type of irregularity	Action taken against the bank
(iv)	HDFC Bank Ltd.		Issue of SIs to 150 individuals (employees of Reliance Industries Ltd.) of Rs. 2 crore each for applying to the public issue of HDFC Bank Ltd. on the strength of introduction given by a single person (a director of RIL) for opening of account. The funds for opening of the deposit accounts were by issue of cheques by Reliance Projects Services, a partnership concern having current account with Syndicate Bank, Fort, Mumbai.	Show cause notice under Section 47A of the Banking Regulation Act, 1949 was issued to the bank asking it as to why a penalty should not be imposed on it and why the bank should not be prohibited from issuing SIs in future. The explanation of the bank in reply to our show cause notice was found satisfactory and it was decided not to proceed with the imposition of penalty/ prohibition.
(v)	Bank of Madura Ltd.		(i) Issue of SIs to Stock-broking firm. (ii) Issue of SIs against clearing cheques/discounting of cheques/overdraft. (iii) SIs were issued to partners in their individuals names by debiting the firms account.	In view of the large scale irregularities noticed in respect of the some of the bank's branches in Delhi viz. Connaught Place, Karol Bagh, Nehru Place, Sadar Bazar, and Mayur Vihar, it has been decided to issue a show cause notice asking the bank as to why a penalty of Rs. 5 lahs and prohibition from issue of SIs from any of its branches in Delhi should not be imposed.
		(iv)	Issue of SIs against third party deposits.	
		(v)	Issue of SIs against inadquate deposit cover.	
(vi)	Global Trust Bank Ltd.	(i)	SIs were issued to individuals against their savings account which in turn were funded from packing credit account.	It has been decided to issue a show cause notice asking the bank as to why a penalty of Rs. 5 lakhs and prohibition from issue of SIs from its Chowringhee branch (Calcutta) and Opera House branch (Mumbai) should not be imposed.
		(ii)	SIs were issued against working capital facilities sanctioned to the Co.	
		(iii)	On the basis of power of attorney lodged by the investors, several investment companies were issued SIs in bulk.	
		(iv)	A part of temporary overdraft granted for working capital purpose was transferred to individual account of a director to enable him to avail SIs.	
		(v)	Issue of SIs to a share-broker.	